

BILL # HB 2049

TITLE: ~~exchange teachers; technical correction~~
(NOW: performance management software;
department of administration contract; report)

SPONSOR: Seel

STATUS: As Amended by GOV

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FISCAL ANALYSIS

Description

The bill requires that the Arizona Department of Administration (ADOA) enter into a contract to purchase business intelligence software. Business intelligence software allows data from different sources to be aggregated, analyzed and reported in a user-defined format. This software could be used by every state agency for planning, budgeting, and performance management.

Estimated Impact

The impact of this bill cannot be determined. The bill requires ADOA to contract with a company to provide reporting software. The actual cost of the software would depend on the winning bid. Some informal estimates have put potential costs around \$10 million, depending upon the structure of the Request for Proposal (RFP). As this software could be used for federal programs in agencies like the Arizona Health Care Cost Containment System (AHCCCS) and the Departments of Economic Security (DES) and Health Services (DHS), some of the costs could potentially be borne by Federal Funds.

To the extent that this software may reduce fraud or increase efficiencies there may be offsetting savings. As with the costs, savings would be shared with the federal government. In Ohio, similar software is estimated to have generated savings of 6.4%. The savings in Arizona may be higher or lower and will depend on the baseline efficiency compared to Ohio.

ADOA has been asked to estimate the fiscal impact of this bill, but has not yet provided an estimate. The department has stated that costs to the state will become clearer once potential vendors have responded to a formal request for proposal.

Analysis

This bill requires the state to enter into a contract for software that will consolidate and summarize large amounts of data for state agencies. ADOA would need to issue a RFP and receive bids to determine the cost of the software. During the 2008 legislative session a similar initiative was discussed. Some informal estimates put the cost at \$10 million. There was also discussion of an option to finance the project over several years.

This bill may also generate potential savings by increasing efficiency and reducing fraud. The Ohio Department of Job and Family Services (ODJFS), which administers programs comparable to AHCCCS, DES and DHS, uses software like that required by this bill. The study found that the software helped to produce cost savings equal to 6.4% of the total fund budget of ODJFS by analyzing hospital pricing, drug costs, and co-payment adjustments and identifying other statute and payment rule changes.

The bill requires that these savings be calculated and reported annually by ADOA. This report may represent some cost to ADOA.

Local Government Impact

None